

# **Innovations for Scale and Sustainability in EITC Campaigns**

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## **Investments in Technology: Lessons from New Mexico, Delaware and New Orleans**



*Economic Opportunities Program*

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**Written by: Amy Brown**  
**Project Director: Kirsten Moy**

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### **I. Background**

The Annie E. Casey Foundation has been an active supporter of Earned Income Tax Credit Campaigns across the United States. Building on existing infrastructures in their communities, these campaigns provide: (1) education and assistance to promote the EITC and other tax credits for qualified working poor families; (2) free or low-priced quality tax preparation services; and (3) links to other programs and services so that tax filers can use their refunds to begin building financial assets.

While the campaigns have helped hundreds of thousands of low-income workers receive tens of millions in tax refunds, they have proven to be expensive and labor-intensive to operate. Given the campaigns' ambitious goals and limited resources, there has been increasing interest in identifying alternative models that have greater potential for scale, sustainability and impact. Beginning in late 2003, the Aspen Institute began identifying sites interested in piloting innovations (providing technical assistance and grant support in some cases) and documenting the results of these early efforts.

*Among these innovations, EITC campaigns in New Mexico, Delaware and New Orleans have all moved to significantly improve their technological infrastructure. While each approach is different, the goal of all three is to use technology to streamline and improve operations, allowing their campaigns to reach the next level of scale, sustainability and impact.*

### **II. The New Mexico Experience**

TAX HELP New Mexico is a network of community colleges and non-profit organizations working together to provide free tax preparation assistance to low-income and elderly filers statewide. In the 2004 tax season, TAX HELP operated 30 sites, at community colleges, high schools and community organizations, and helped more than 17,000 customers, electronically filing more than 8,800 federal returns and 13,000 state returns. Total tax refunds were more than \$13.8 million.

In order to serve such a large and diverse geographic area, TAX HELP developed an innovative web-based training curriculum. Students and volunteers can access the training from their home, workplace, school, or anywhere that they can access an internet connection. Volunteers can also participate in an on-line chat room discussion with other volunteers from

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around the state or across the country. A discussion board allows them to post a question for a response from another volunteer, instructor or site coordinator.

The training modules were developed as PowerPoint presentations. The program that allows the materials to be presented for use in this format is called WebCT – it is the same program used by the community colleges for distance learning. (Like many community colleges, those in New Mexico rely on distance learning to reach many more students than it could serve in its physical facilities; this is especially important in such a rural state, with hundred of miles between major cities.)

Volunteers cannot do everything on-line. They still need to come to a TAX HELP site to complete practical problems and take a certification test to be approved as a tax preparer under the program. While both of these steps are done on computers, they require use of TaxWise, the IRS-provided tax preparation software which is installed at the sites.

For TAX HELP, the technology allows the program to train many more volunteers – and at a much lower cost – than it could using a traditional classroom approach. In particular, it allows TAX HELP to reach into all parts of the state without having to conduct training sessions in each rural community. The approach also encourages participation, as volunteers can access training at their convenience. Finally, TAX HELP believes it promotes quality, by ensuring consistency in the information provided to all volunteers and allowing them to take the time they need to master the material.

### **III. The Delaware Experience**

The Nehemiah Gateway Community Development Corporation (NGCDC) is the lead organization for Delaware's EITC Campaign. In 2004, the campaign operated 16 sites statewide, preparing 2,847 returns and generating over \$6 million in federal refunds. In addition, over two years, the campaign opened 300 savings accounts for unbanked filers. While the campaign has grown steadily in its three years of operation, NGCDC believes its technological infrastructure limits continued growth. Each tax site had a somewhat different set-up, with some using computers at community centers and others laptops borrowed from the IRS. In particular, the system has posed the following problems:

- Individual desktops and laptops at made frequent software updates and data collection tedious and time consuming processes, one computer at a time.
- Computers at community center sites were overloaded with software and programs that bogged down the systems and made it difficult to process tax returns.
- At the computer centers, even though tax software had a separate user name, confidentiality concerns required returns to be deleted after each tax session.
- Older IRS laptops were often unable to handle TaxWise software, resulting in freezing and crashing, and lost capacity when computers were sent out for repairs.
- Budget issues led the IRS to decide not to replace outdated computers, resulting in fewer available laptops for future years.

- After each tax session, returns had to be copied onto floppy disks by site managers and transported to two central e-file locations. Common problems, such as corrupt disks or missing returns, often delayed processing the returns.

These problems threatened not just the operational efficiency of the sites, but also the campaign's ability to deliver high quality – both in terms of tax return accuracy and customer service – as well as to retain volunteers. Ultimately, the system limited the campaign's ability to grow to meet the community's need and their own goals.

In 2004, six tax sites moved from stand-alone desktops to local server systems. The use of a single host greatly improved both efficiency and security, and also simplified software updates and data collection. However, the donated servers lacked sufficient power during peak operation, causing breakdowns for the entire site.

With advice from JPMorgan Chase's Enterprise Technology Services, NGCDC is currently looking to install a network system, using web-based technology to allow for Internet communication between remote sites and a host server. The technology would centralize all software and tax return data management for improved security, easier updates, greater quality control and peak load sharing between sites. Tax sites would need only access to the Internet and computers with a web browser such as Internet Explorer or Netscape. Installing a network would expand the campaign's computer system, improve security, reduce system down time, eliminate redundancy, and allow for future expansion without significant additional capital expense.

#### **IV. The New Orleans Experience**

Through its member agencies, the Central City Asset Building Coalition (CCABC) links taxpayers in the Central City neighborhood of New Orleans to free tax preparation and other services. CCABC has prepared 1,196 tax returns over the past three years and connected hundreds more with credit counseling, financial education, Individual Development Accounts (IDAs), and homebuyer education. CCABC focuses developing innovative approaches to integrate tax preparation into broader assistance, with the goal of helping clients improve their long-term financial security

CCABC believes that creative use of technology would allow them to significantly increase both the effectiveness and scalability of asset-building services, by improving efficiency and giving clients a more proactive role in the process. In particular, CCABC is looking to use web-based technologies in two ways: first, to promote greater operational efficiency and scale of free tax preparation by using web-based volunteer scheduling; and second, to expand the capacity of credit counseling services by integrating interactive, on-line credit-repair curriculum into existing financial education and case-management systems

During the 2004 tax season, CCABC introduced a web-based scheduling system that allowed volunteers to access directions to and operating hours of all five tax sites, sign up for shifts, view news updates, and receive e-mail reminders of their shifts. The system proved to be a

much more efficient way to reach volunteers. Looking ahead, CCABC has identified a number of features that would improve the website, including:

- A feature indicating the number of volunteers needed for each shift
- Automatic e-mails to volunteers who have signed up for a shift that is cancelled or modified, or to all volunteers if there is a shift for which no one has signed up
- A feature that allows volunteers to register once they arrive at the site so their hours can be tracked and the number of returns that they prepare can be recorded

With regards to credit counseling, CCABC has proposed developing an interactive, web-based curriculum that would allow clients to create person log-in accounts and:

- run their credit report, submit the report to a counselor and schedule a meeting
- access and update their individualized credit action plans, and report on their progress
- create a budget by tracking family expenditures for a designated period of time
- receive e-mail reminders to make scheduled payments
- submit entries into a journal to allow for self-reflection on the credit repair process
- submit questions and concerns to case managers and make appointments as needed
- link to a variety of on-line resources, including: the online system for clients enrolled in the IDA program; tax site locations and hours; on-line banking; and specialized financial education

Rather than replacing the important staff and peer relationships of asset-building programs, the technology would extend the resources available to clients and provide additional support as they reach for their personal financial goals.

## **V. Lessons for Scale, Sustainability and Impact**

Each of the innovations described above attempts to use technology to bring local efforts to a new level. Creative use of technology provides opportunities for EITC campaigns to:

- Improve operational efficiency, especially with regards to tax preparation, e-filing, software installation and upgrades, volunteer training and scheduling, confidentiality and security of data;
- Raise the quality of services provided, in terms of volunteer preparedness, tax return accuracy, speed of service, client engagement, and access to resources;
- Achieve cost savings over time, by reducing staff time spent on volunteer training and scheduling, hardware management and repair; installation of software and upgrades; and
- Increase the number of clients served, by recruiting and training more volunteers, expanding the number of potential sites, and assisting a greater number of clients per hour of volunteer/staff time.

In doing so, technology could provide a means of moving forward on all three goals described earlier: scale sustainability and impact. Increased scale could be achieved through improvements in efficiency and a greater number of volunteers and clients (volunteer training, in particular, is commonly mentioned as a primary barrier to scale). Making the free tax preparation field more competitive in relation to commercial preparers – through improved customer service and quality – could lead to increased sustainability over time (and technology is a key area in which free preparation lags behind commercial preparers). Finally, effectively engaging more clients in asset development could help achieve greater impact, especially as EITC campaigns have struggled with linking tax clients to asset-building opportunities). Ultimately, some of these ideas could be taken nationally to achieve even greater results, such as development of a national on-line volunteer training curriculum or asset-building software that could be used by local financial education programs.

Unfortunately, these results are more conceptual than actual at this point, and important questions remain. In particular, while it seems clear that technology can offer benefits to EITC campaigns, how far those improvements can take the campaigns is unclear. Will technology result in more than marginal program improvements and really take campaigns to a new level of scale and impact? Are cost savings realistic and/or sufficient to make campaigns sustainable over time, given concerns about future funding? As these and other efforts move forward, additional research will provide useful lessons for the field as a whole.